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STATE FOR NEA, EUR, AND EB

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TAGS: [ETRD](#) [EFIN](#) [PREL](#) [FR](#) [SY](#)

SUBJECT: SYRIA: FRANCE'S THOUGHTS ON EIB LOAN

REF: STATE 229611

Classified By: Econ Couns Kenneth Merten for reasons 1.4 (b) and (d).

1. (C) Summary. French officials tell us that the EIB loan to improve Syria's rural telephone network was approved unanimously on 13 December. While the Foreign Ministry was unaware and regretted the news that the loan had been approved, Finance Ministry officials said they see no scope for overturning the decision. End Summary.

2. (C) Poloff and Econ Couns discussed reftel points on the EIB/FEMIP loan to Syria with MFA Acting-DAS-equivalent for Egypt/Levant Martin Juillard and Finance Ministry European Affairs official, Gerard Belet, respectively. Juillard told poloff that our demarche was the first that the MFA had heard of the FEMIP telecom loan, and he did not disguise his dismay with the European Commission/EIB for not keeping capitals informed, noting "this was not the first time" such a disconnect had happened. He expressed general agreement that this loan in particular was inconsistent with international efforts to isolate Syria, and speculated that the primary beneficiaries of European largesse in the telecom sector would be President Asad's cousins (via his mother), the Makhoul family. As of December 23, Juillard explained the MFA was working on the issue with the French Finance Ministry and trying to determine whether the FEMIP telecom loan had been approved by the EIB Advisory Council. He told concluded that he could not give us a definitive answer yet, but stressed that the MFA was seized with the issue and offered to keep us posted.

3. (C) On our broader message discouraging all EU loan/investments in Syria, Juillard stressed that the EU and France had not enacted sanctions against Syria, therefore all forms of assistance were not off the table. He cited a planned EU loan to Syria's electricity sector (NFI) which he said fell into the realm of acceptability because it was purely development related. The telecom loan, however, was completely different, he opined, as it benefited the regime, and was very ill-timed.

4. (C) After receiving the USG information on the loan earlier, the Finance Ministry's Gerard Belet told Econ Couns on 27 December that the decision to approve the loan was taken on 13 December and was unanimous. He explained that this type of program fits in to the EIB's "mandate" (presumably "infrastructure projects") in the region. He added that Syria was under no EU sanctions and that it needed the telephone upgrade which was justifiable from a development point of view. Econ Couns suggested that given the USG's points (reftel) and the U.S.-French cooperation in the region (and on Syria in particular) that the GOF and EU partners might want to consider whether there was scope for revisiting the issue and canceling the loan. Belet said "absolutely not; the decision has been taken."

5. (C) On 28 December, Poloff followed up with Bertrand Besancenot, the DAS-equivalent for Egypt/Levant to hear what the MFA had learned in their investigation. Besancenot confirmed the Finance Ministry's report that the decision had indeed been formally taken by EIB officials. He reported that the MFA was displeased that the EIB did not consult with member governments, especially when the loan decision made was controversial. He said that at the next meeting of EU member state representatives in Brussels, France would insist on discussing how to improve coordination between EU foreign policy priorities and EIB decisions. Regarding the loan itself, Besancenot said the MFA had received a telegram from their Ambassador in Damascus arguing that the loan was a good idea, given that it would not target cadres but instead would focus on poor areas of Syria that did not have sufficient telecommunication resources.

6. (C) Comment: It is clear that the MFA was not only piqued at the EIB's decision, but also at having to learn about the European institution's decision from the USG first. France is likely to be true to Besancenot's word in pressing for closer political scrutiny of the EIB by member states, especially when it discusses loans to countries of concern.

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